



**Affordable Rental Housing  
Program Manual  
&  
Underwriting Guidelines**

**April 2017**



**EQUAL HOUSING  
OPPORTUNITY**



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## Introduction

The City of Colorado Springs, Community Development Division (CDD) administers federal funds received from the US Department of Housing and Urban Development (HUD). The City receives funding under the Community Development Block Grant Program (CDBG), the HOME Investment Partnerships Program (HOME), and the Emergency Solutions Grant (ESG). The City uses the funds to preserve neighborhoods, create and preserve affordable housing, and stimulate economic revitalization.

## Purpose

The purpose of the *Affordable Rental Housing Program & Underwriting Guidelines* is to identify the City's affordable rental housing policy objectives, describe the activities available to advance the objectives, and describe the manner in which the activities will be evaluated, underwritten, and selected for funding. The guidelines are intended to achieve compliance with federal, state and local regulations and set the standards for all affordable rental housing projects funded by the City of Colorado Springs, regardless of funding source.

## Policy Objectives

The City's 2015-2019 Consolidated Plan and associated Annual Action Plans establish the policy objectives for the Affordable Rental Housing Program. To receive federal funding under the above-mentioned programs, HUD requires that the City submit a five-year Consolidated Plan, which describes the City's priorities and objectives for each funding source. Additionally, the City must submit an Annual Action Plan for each year of the Consolidated Plan. The Annual Action Plan identifies the activities that will be funded during each fiscal year and the amount of funding allocated to each activity.

Per the 2015-2019 Consolidated Plan, the City's policy objectives include:

- Stabilize and improve struggling neighborhoods
- Increase and preserve the supply of affordable housing
- Invest in facilities and services that prevent and end homelessness

## Disclaimers

The City of Colorado Springs reserves the right to fund projects at a lower amount than requested, and the right to deny applications that are not consistent with the Consolidated Plan goals and policy direction. The City is under no obligation to consider or fund any proposed project that does not demonstrate compliance with national objectives and eligible activities or local program requirements and does not assist in meeting the City's affordable housing policy goals and/or objectives.

The City reserves the right to determine project eligibility and select the funding source to be used for any proposed project. Funding decisions will be based on a variety of factors, not just application scores. Other factors considered are:

1. How the project aligns with the City's priorities.
2. Operational and management capacity of the applicant.
3. Financial capacity of the applicant.
4. The project's potential for transformative impact on the residents and surrounding community.
5. Ability to meet loan payment obligations.
6. Leveraging of additional public and private investments.

The *Affordable Rental Housing Program and Underwriting Guidelines* are not intended to address every circumstance that may be encountered in the development process, nor are they a verbatim restatement of all regulatory requirements. Omission of any federal or local regulatory requirements does not relieve the City or the applicant from their respective obligations that may be required by the funding source.

Once a loan agreement has been executed between the City and applicant for the purpose of developing rental housing according to these guidelines, in case of any conflict between the program guidelines and the loan agreement, the terms of the loan agreement shall prevail.

CDD program guideline changes as a result of federal, state or local regulatory or legal requirements may be implemented immediately by the Division Manager. Revision of the program guidelines usually occurs annually; however, additional revisions can be initiated by the Division Manager at any time. While stakeholder outreach is the goal of CDD, such revisions may occur without notice and are applicable to all pending and future applications. Applicants are responsible for complying with any changes.

## Definitions

The following terms are defined for the purpose of this document:

**Accessible** – as defined by Section 504 of the Rehabilitation Act of 1973, accessible dwelling units or facilities are located on an accessible route and can be approached, entered and used by individuals with physical disabilities. For a housing unit to be classified as accessible, the improvements must meet the Uniform Federal Accessibility Standards (UFAS).

**Acquisition of vacant land:** HOME funds may be used for acquisition of vacant land only if construction will begin on a HOME project within 12 months of the date of purchase. Land banking is prohibited.

**Adaptable units** – certain elements of a dwelling unit or facility can be added to, raised, lowered or altered to accommodate the needs of individuals with disabilities, or to accommodate the needs of persons with different types or degrees of disability.

**Adjusted Income** – gross household income limit that has been modified according to the number of persons residing within a dwelling unit.

**Affordable Housing** – in general, housing for which the household is paying no more than 30 percent of its income for gross housing costs, including utilities.  
([http://www.huduser.org/portal/glossary/glossary\\_a.html](http://www.huduser.org/portal/glossary/glossary_a.html))

**AMI** – Area Median Income as defined by HUD and updated annually. Please consult with City staff for updated income tables.

**Annual Income:** The gross amount of income of all adult household members that is anticipated to be received in the upcoming twelve (12) month period.

**Applicant:** Any eligible entity (public or private, for profit or nonprofit), proposing to acquire and rehabilitate, convert, or construct affordable housing utilizing State HOME program funds.

**Application:** The completed forms, exhibits, attachments, and any additional documentation requested in the HOME application package. This includes but is not limited to, financial statements, audits and/or letters of support from the local unit of government.

**Audit:** Complete and current financial statements that have been audited by a Certified Public Accountant (CPA) licensed by the State of Colorado. A current audit is considered to be one that



is no more than twelve (12) months from the date the audit was performed. Non-Federal entities that expend \$750,000 or more of Federal Funds in a year are required to have an audit conducted to include the audit specifications and requirements described in 2 CFR Part 200, Subpart F (aka Super Circular).

**Capital Needs Assessment** – rehabilitation activities required to bring a building(s) into compliance with Property Rehabilitation Standards (PRS) or Uniform Physical Condition Standards and other standards as required by HUD.

**CDD** – Community Development Division, City of Colorado Springs, Colorado

**Community Housing and Development Organization (CHDO)** – a type of non-profit, community based service organization that has, as part of its mission, the development of affordable housing for low- and moderate-income households. HUD requires the organization to meet certain requirements to be classified as a CHDO. *See CHDO application for more information.*

**City** –City of Colorado Springs, Colorado

**Debt Coverage Ratio (DCR)** – the ratio of net operating income (NOI) to total debt service (DS) during a given time period ( $DCR = NOI \div DS$ ).

**Debt Service** – required minimum monthly loan payment of principal and interest.

**Deferred Forgivable Loan:** A loan in which all payment of principal and interest is deferred until maturity, at which time the outstanding balance may be considered paid in full so long as the borrower does not default on the HOME Funding Agreement or the Mortgage and Security Agreement.

**Development Costs:** The total costs incurred in the development of a project that are considered reasonable and necessary.

**Developer:** Any individual, association, corporation, joint venture, or partnership, which possesses the capacity to successfully produce affordable multifamily and/or single-family rental housing.

**Disability** – any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment.

**Elderly:** A person sixty-two (62) years of age or older.

**Eligible Costs** – project costs that can be paid with CDD funds. Costs include, but are not limited to, costs or partial costs of acquisition, verifiable hard construction costs, reasonable soft costs, architectural and engineering fees, surveys, market studies, legal fee and materials testing.

**Fair Market Rents** – rental rates as established and updated periodically by HUD that are determined to be fair, affordable and appropriate rents for a geographical area.

**HOME-Assisted Unit:** The specific unit(s) in a project that is funded with HOME funds.

**HOME Rent** – rental rates established by HUD as fair, affordable and appropriate rents for a geographical area. HOME Rents apply to HOME funded projects and are revised annually by HUD. Please consult with staff for updated HOME rent rates.

**Homeless and Chronically Homeless** – as defined in The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act) (24 CFR 578.3). An individual who lacks a fixed, regular, and adequate nighttime residence; as well as an individual who has a primary nighttime residence that is a supervised publically or privately operated shelter designated to provide temporary living accommodations, an institution that provides a temporary residence for individuals intended to be institutionalized, or a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings.

**Household** – all persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements (24 CFR 570.3).

**HUD** – U.S. Department of Housing and Urban Development

**Identity of Interest Transactions** – Identity of interest refers to situations where the owner, developer or project sponsor control or own the services to be provided in a project, including, but not limited to the general contractor, subcontractor, property manager or other service provider. A declaration of subcontractors or suppliers for which there is an identity of interest through joint ownership with the owner or developer must be declared in the application for funding to CDD. Failure to declare an identity of interest situation may deem a project ineligible.

**Income** – all reference to “Income” shall mean the annual income as defined in 24 CFR 5.609, referred to as "Part 5 annual income". Income cohorts are defined below. Income limits are updated annually by HUD and can be found at [www.hudexchange.info](http://www.hudexchange.info)

**Extremely Low Income** – households whose income is less than 30% of the median income for the Colorado Springs Metropolitan Statistical Area (MSA), as determined by HUD, with adjustments for smaller or larger families.

**Low Income** – households whose incomes are between 31% and 50% of the median income for the Colorado Springs Metropolitan Statistical Area (MSA), as determined by HUD, with adjustments for smaller or larger families.

**Moderate Income** – households whose incomes are between 51% and 80% of the median income for the Colorado Springs Metropolitan Statistical Area (MSA), as determined by HUD, with adjustments for smaller or larger families.

**Letter of Commitment:** An original executed letter, contract, or agreement from each funding source verifying that the Applicant has a commitment of funds for the project. The commitment letter must include: (a) the amount of funds being provided; (b) any conditions for receiving the funds; (c) expiration of the funds or a timeframe in which the funds must be spent; (d) whether the funds are being provided as a loan or grant; and (e) the term and interest rate, if applicable, for the funds. Lines of credit and letters of credit are temporary funding and are not considered permanent commitments. All commitments must be submitted at time of application.

**LMI** – low- and moderate-income household. A household having an income equal to or less than 80% of the Area Median Income limit established by HUD and updated annually.

**LMI Concentration Area** - Community of Low-income Concentration: is defined as a U.S. Census Tract, Block Group, or other locally defined subarea of a community with a high proportion of low income persons. A local determination may be made to select the most appropriate geographical definition of what constitutes a community. However, communities must be contiguous and relatively homogeneous areas with common identifiable characteristics and specific boundaries. They cannot be whole municipalities. Such communities would be considered as having a low-income concentration if the number of low-income persons (less than 80% of median income) make up a majority (51% or more) of the population of the community. Data to make this determination may come from U. S. Census information or other data that would be acceptable to HUD.

**Marketing Plan:** A document that provides information on how the Applicant will attract eligible persons from all racial, ethnic, age, and gender groups to the available housing being provided in the particular market area.

**Market Study:** An independent third party report prepared to review the market conditions in a specified area. It includes a study of the economic forces of supply and demand and their impact on real estate returns, risks, and values.

**Net Operating Income (NOI)** – income stream generated by the operation of the property, independent of external factors such as financing, depreciation, amortization, and income taxes. A property's yearly gross income less operating expenses. Gross income includes both rental income and other income such as parking fees, laundry and vending receipts, etc. Operating expenses are costs incurred during the operation and maintenance of a property. They include repairs and maintenance, as well as insurance, management fees, utilities, supplies, property taxes, etc. The following are not operating expenses: principal and interest, capital expenditures, depreciation, income taxes, and amortization of loan points.

**Non-profit organization** – a not-for-profit, non-sectarian organization, which is designated by the Internal Revenue Service (IRS) under Section 501(c)(3), as a tax-exempt organization.

**Permanent Housing** – housing in which the program participant must be the tenant on a lease for a term of at least one year, which is renewable for terms that are a minimum of one month long and is terminable only for cause.

**Permanent Supportive Housing** – permanent housing in which supportive services are provided to assist special needs populations to live independently.

**Program Income** – gross income received by the subrecipient directly generated from the use of HOME funds with some exceptions. (24 CFR 570.500 and 24 CFR 92.2)

**Project Completion:** Occurs when all necessary title transfer requirements have been finalized; HOME loan closing documents have been recorded and returned to the City; one hundred percent (100%) of the construction has been completed; a certificate of occupancy (CO) has been issued; a placed-in-service application has been submitted; the final draw down of HOME funds has been disbursed for the project; the project completion reports have been submitted to, and approved by, the City; and the project activity has been closed-out in HUD's Integrated Disbursement and Information System (IDIS).

**Rehabilitation** - essential repairs or improvements to existing structures intended to meet one or more of the following: Uniform Physical Conditions Standards, HUD's Lead-Safe Housing Rule, Section 504 of the Rehabilitation Act, Titles II & III of the Americans with Disabilities Act, the Fair Housing Act, and local codes, ordinances, and zoning requirements.

**Scattered Site Development** – Noncontiguous parcels within the City will be considered one project and cannot be separated into multiple HOME projects regardless of target population.

The following requirements must also be met:

- a) All buildings must be under the ownership of one entity;
- b) All buildings must be developed under one plan of financing and considered a single development by all funding sources;
- c) All units must be managed by one management entity;
- d) All sites must be within a 2,000 feet radius of each other for environmental review purposes; and
- e) Positive site characteristics will be measured from the parcel with the longest distance; Detrimental site characteristics will be measure from the parcel with the closest distance.

**Single Family Housing** – a one - to four-family residence, condominium unit, cooperative unit, combination of manufactured housing (including a mobile home) and lot, or manufactured housing lot. (24 CFR 92.2 & Building HOME 4-1)

**Special Needs Housing** – supportive housing that is designed to meet the housing and service needs of a target special needs population and provides supportive services for residents.

**Special Needs Populations** – homeless persons, larger families (requiring 3 and 4 bedrooms) victims of domestic violence, persons recovering from substance abuse, seniors, veterans and persons with disabilities.

**Supportive Services** – services provided to individuals with special needs which enable individuals to achieve a greater level of independence and/or self-sufficiency such as health services, housing counseling, employment counseling and referral and other services as defined at 24 CFR Section 882.802.

**Transitional Housing** – housing where all program participants have signed a lease or occupancy agreement, the purpose of which is to facilitate the movement of homeless individuals and families into permanent housing within 24 months and includes supportive services. The program participant must have a lease or occupancy agreement for a term of at least one month that ends in a maximum of 24 months and cannot be extended.

**Uniform Physical Condition Standards (UPCS)** – the inspection protocol that is used to evaluate the condition of housing.

## Eligibility

### Eligible Activities

HOME funds are available for new construction, acquisition/rehabilitation, or rehabilitation of rental units.

**NOTE: Projects that include demolition of units occupied by low- and moderate-income households must provide one for one replacement of the demolished units either at the development site or at another CDD approved site. Demolition is not eligible as a stand-alone activity.**

### Eligible Applicants

For-profit, non-profit and quasi-public developers with a documented capacity to construct (or rehabilitate) and operate multifamily housing for the benefit of low- to moderate-income households.

The City may seek references from other lenders, partners, or public agencies with which the applicant has done business.

### Eligible Costs

- **Soft Costs:** architectural and engineering fees, financing costs, credit reports, title insurance, recording costs, transaction taxes, appraisals, environmental reviews and builder or developer fees. Project-related soft costs may be awarded on a limited basis and will be at the recommendation of staff and based on need determined during the underwriting review.
- **Operating deficit reserve,** up to 18-months, for rental and new construction projects for the initial rent-up period. The reserve may be used to pay for project operating expenses, scheduled payments to a replacement reserve and debt service.
- **Predevelopment Costs:** It is outside current policy to deliver award proceeds prior to acquisition or completion of construction/rehabilitation of the subject property. However, costs incurred prior to settlement of the award may be reimbursed under specific circumstances. If HOME funds are used to pay off a construction loan,

bridge financing, or guaranteed loan, the payment of principal and interest for such loan is an eligible cost only if:

- The loan was used for eligible costs specified in this section AND
- The HOME assistance is part of the original financing for the project and the project meets the requirements of the program.

### Ineligible Costs

Project components may be deemed non-essential elements by CDD and therefore removed from the total project cost. Such items may include, but are not limited to: carpeting for kitchens, bathrooms or patios; window treatments; dumbwaiters; greenhouses, hot tubs or whirlpool baths; mobile homes; outdoor fireplaces or hearths; swimming pools or swimming pool decks (except repair of existing); television antennae; tennis courts; or items deemed to be a luxury.

### Eligible Properties

- Property must be located within the corporate limits of the City of Colorado Springs, Colorado.
- Property may be vacant land or a combination of multiple vacant parcels. All vacant land must be purchased with a specific plan for development. Development must begin within 12 months of land acquisition.
- Property may be a single building or multiple buildings on scattered sites.
- Property may be privately or publicly owned (with the exception of public housing).

### Ineligible Properties

- Public Housing
- Projects assisted under Title VI of NAHA (prepayment of mortgages issued by HUD)
- Commercial Properties (except when converted to residential)
- Homeless Shelters
- Manufactured Housing
- Properties previously assisted with HOME funds that are still under the HOME affordability period
- Student Housing

## General Project Requirements

The following are general project requirements for all applicants seeking funding from CDD for housing related projects.

### Threshold Requirements

- Located in the City of Colorado Springs city limits.
- Project must consist of one (1) or more residential units.
- Acquisition ONLY projects must meet the Uniform Physical Condition Standards (UPCS) and have amenities that will allow it to compete effectively in the local market area as determined by CDD.
- Acquisition and rehabilitation or rehabilitation projects must:
  - Meet the UPCS
  - Have amenities that will allow it to compete effectively in the local market area as determined by CDD
  - Complete a third-party Capital Needs Assessment (CNA) for projects with twenty-six (26) or more units
- Complete a Phase 1 Environmental Site Assessment for all new construction projects and acquisition/rehab projects with five (5) or more units.
- Project must meet HUD environmental review requirements.
- Complete a third-party market study.
- As determined applicable by CDD, assisted units must be made available to households with Housing Vouchers from the Colorado Springs Housing Authority.

### Site Control

Project applicants must have control of any site that will receive CDD funding for acquisition, rehabilitation and new construction activities. Site control must be documented at the time of application. To document site control one of the following must be submitted: a deed or other proof of ownership; an executed lease agreement; an executed contract of sale; or an executed option to purchase or lease. Please keep in mind URA regulations apply and must be followed or applications cannot be considered for funding. Please see the URA checklist on the CDD webpage for guidance.

### Appraisal

A property appraisal may be required for projects that will receive CDD funding for acquisition, rehabilitation and new construction. The appraisal must be provided at the time of application

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submittal. An appraisal cannot be more than 6 months old. The appraiser must be a Colorado Certified General Appraiser. CDD reserves the right to require an appraisal on completed activities.

### **Reasonable Costs**

The City is responsible for ensuring that the costs are reasonable by examining the sources and uses for each project. Assessment may include comparison to similar projects within the local market, market trend analysis, survey of industry participants, CDD experience and other third party sources.

#### Work Write-Ups

For acquisition of existing buildings (not slated for demolition) and rehabilitation, CDD must approve work write-ups (i.e., plans and specifications) to determine compliance with HUD's Uniform Physical Conditions Standards and the Community Development Division's Property Rehabilitation Standards. The project cannot be bid and work cannot begin until approval from CDD is received.

#### Cost Estimate

For acquisition of existing buildings (not slated for demolition) and rehabilitation, CDD must approve written cost estimates to ensure that the costs are reasonable. The project cannot be bid and work cannot begin until approval from CDD is received.

### **Procurement**

Applicants must comply with all applicable federal, state and City procurement requirements. CDD requires that applicants selected to receive federal funds comply with the award of the construction contract to the lowest and most responsive proposal that incorporates all essential project elements. The developer shall ensure that all contracts let in the performance of an agreement are awarded in a fair, open and competitive manner. Executed copies of all contracts shall be forwarded to CDD along with documentation concerning the selection process. If the lowest, responsive bidder is not selected, an explanation must be provided to CDD in writing to substantiate the decision.

### **Debarment and Suspension**

Developers, contractors or subcontractors working on a CDD funded project cannot be located on a federal, state or local debarment or suspended list. Prior to awarding a contract, the

developer must provide proof from the federal System for Award Management (SAM) website or secure approval from CDD to ensure that the proposed contractor is eligible.

### **Davis Bacon Weekly Payrolls**

If applicable, Davis Bacon payrolls must be submitted weekly on the most current Department of Labor form. Visit the CDD webpage for the most current forms.

### **Affirmative Marketing**

Developers must create an affirmative marketing plan to further the City's commitment to non-discrimination and equal opportunity housing. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, gender, religion, familial status, disability, sexual orientation, gender identity, or marital status. Records should be maintained describing actions taken by the developer to affirmatively market units. Documentation is required by the Fair Housing Act and the City will review the documentation at each monitoring visit, but may request to review the documentation annually. Applicants are required to use the most current version of HUD form 935.2a – *Affirmative Fair Housing Market Plan – Multifamily Housing*.

### **Waiver Requests**

CDD acknowledges that each project may face unique site, design, financing, population or market constraints for which full compliance may be difficult or impossible. It is intended that such unique constraints are identified during the design process and that the applicant may request a modification or waiver to specific standards and requirements, which will be reviewed on a case-by-case basis to determine whether specific standards should be modified or waived for reasons and purposes acceptable to the City. Requests for modification or waiver to specific standards must be in writing and document the applicant's need and unique situation. When such modifications or waivers are granted, additional requirements may be imposed by CDD.

## Underwriting Guidelines

The City typically makes between \$500,000 and \$750,000 in HOME funds available for affordable housing projects and activities each program year. An Applicant may receive no more than one project subsidy each year. The City's underwriting criteria are generally in-line with DOLA & CHFA program underwriting criteria. However, should the City's guidelines undermine a project's feasibility related to DOLA and/or CHFA funding opportunities, the City reserves the right to adjust its underwriting criteria to provide for consistency between the funding sources. Applicants are advised to contact CDD staff with any questions related to underwriting criteria.

1. Terms and conditions for City approved CHDOs, other nonprofit entities, and PHAs receiving a HOME award are as follows:
  - a. The total maximum HOME award per application is \$500,000.
  - b. Funds may be awarded as a twenty (20) year forgivable loan of up to \$500,000.
  - c. Funds may be awarded as an amortizing one percent (1%) loan for a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
  - d. Funds may be awarded as a combination of both a one percent (1%) loan and a forgivable loan as long as the forgivable loan does not exceed \$250,000 and the combined total does not exceed the \$500,000 HOME cap. The loan terms remain as stated above.
2. Terms and conditions for for-profit entities receiving a HOME award are as follows:
  - a. The total maximum HOME award amount per application is \$500,000. Funds may be awarded as an amortizing one percent (1%) loan for a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
3. HOME funds can be combined with other subsidy sources such as Low Income Housing Tax Credit (LIHTC), Federal Home Loan Bank, etc. However, the revised 2013 HOME Final Rule requires that all other sources of financing for a project be committed to the project prior to committing HOME funds. Therefore, the City cannot accept any proposed, or anticipated to be applied for, funding sources as part of the project's financial structure.

### Loan-to-Value Limits

For acquisition requests, the loan amount awarded by the City, plus the principal amount of all loans with a senior claim to the subject property shall not exceed 100% of the acquisition cost or appraised value, whichever is lower.

For new construction and rehabilitation requests, the loan amount awarded by the City, plus the principal amount of all loans with a senior claim to the subject property shall not exceed 100% of the “as-proposed” value.

### Subsidy Layering

HUD establishes limits on the amount of HOME funds that may be invested in affordable housing on a per-unit basis. Before committing funds to a project that combines any other sources of financing (local, state, federal, private, etc.), CDD must evaluate the project to ensure that the City does not invest any more funds than necessary to provide affordable housing. Applicants must demonstrate that they have structured projects to maximize other available financing sources thereby limiting CDD funding to the lowest amount necessary to assure project feasibility. In 2017, the maximum HOME investment per unit will be as follows:

Unit Size	Max HOME investment/unit
0 bedrooms	\$140,107
1 bedroom	\$160,615
2 bedrooms	\$195,304
3 bedrooms	\$252,662
4 + bedrooms	\$277,344

Additional funding will not be loaned to a project once the Certificate of Completion has been issued.

### Inter-Creditor Agreement

Within thirty (30) days of the execution of an Agreement, the developer shall secure the execution, by the senior lender on the project, of an Inter-Creditor Agreement or Declaration which at a minimum shall: (1) require the senior lender to notify CDD in the event the senior lender learns of a default under the senior loan for the project and (2) require the senior lender to give CDD written notice of and reasonable opportunity to cure any default by the developer under the senior loan (provided, however, CDD shall have no obligation to cure any such

default). Following execution, the Inter-Creditor Agreement shall be attached to the final agreement.

### **Funding Conditions - Pre-Development Phase:**

Funds are not available for pre-development loans.

### **Funding Conditions - Acquisition Phase**

Loans for site acquisition will not be funded unless all pre-conditions of the construction phase funding have also been achieved. Acquisition loans must be recorded in first lien position unless otherwise approved by CDD.

### **Funding Conditions - Construction Phase**

Prior to or concurrently with construction phase funding, the borrower must provide evidence that all other necessary construction funding sources have been committed and that binding commitments are in place for all sources of permanent financing.

### **Loan Repayment**

HOME funds are secured through an Applicant's execution of a Promissory Note and the recordation of a Deed of Trust and related Land Use Restriction. Repayment may not be required during the acquisition, construction and lease-up phase. Generally, loan repayment will begin 45 days after the acquisition of existing units. For construction or rehabilitation projects, loan repayment will begin within 45 days of project stabilization. Stabilization is generally defined as of the last day of the month in which 90% of units have been occupied for a minimum of 90 days.

### **Assignment**

Loans or loan commitments are not assignable without the prior written approval of CDD. If the assignment is approved, the assignee must assume all loan obligations including, but not limited to, the affordability requirements.

### **Material Changes**

Any material changes to the project during underwriting or construction must be reported in writing to CDD. Failure to do so may constitute an event of default under the terms and conditions of the City loan.

## Recourse

Acquisition, construction and permanent loans are provided on a non-recourse basis and are secured as noted above.

## Loan Position: Subordination to Senior Debt

The City's loan may be subordinated to another lender's mortgage lien if subordination is required as a condition of that lender's loan approval; however, all debt on the property must be subordinate to a LURA, as described above. Terms, conditions and covenants of **all** debt instruments recorded against the subject property must be reviewed and approved by CDD prior to disbursement of an award.

## Debt Coverage Ratio (DCR)

Applicants must demonstrate that rent proceeds or other funding sources will allow for adequate reserves to meet capital needs for the length of the compliance period. The minimum initial debt coverage ratio shall not be less than 1.15:1, including all amortized project debt. The debt coverage ratio must remain above 1.1:1 for the term of the HOME loan. Projects with a ratio that exceeds 1.30:1 will be subject to lower subsidy limitations.

## Developer Fee

A developer fee is compensation to the developer for the time and risk involved to develop the project. The fee is based on the size of the project, the total development cost and the risk associated with the project. Developer fees include all amounts received by the applicant whether characterized as project management, overhead or developer fee. Consultants are commonly utilized to assist the developer/owner by providing specific expertise in completing the project. The maximum aggregate allowable developer and consultant fees are calculated as a percentage of Total Project Costs, less land, project reserves, other cost category adjustments, and the Developer/Consultant Fee category. Allowable developer fees may not exceed the following:

Development Type	Size	Allowable Developer Fee
New Construction	50 units or less	15%
New Construction	51 units or more	12%
Acquisition & Rehabilitation	All	10%
Acquisition	All	5%

Developer fees that are not deferred may be distributed as follows, subject to the approval of other project lenders, tax credit equity investor, etc.:

- 1/3 at the close of all construction loans.
- 1/3 in progress payments during construction.
- 1/3 at 90% occupancy and receipt of all tenant certifications for restricted units.

### Replacement & Operating Reserves

The amount of required reserves must be specifically approved by CDD in the final loan agreement or through the annual budget review and approval process and will typically match reserve requirements by the state housing programs when those programs are utilized.

Annual replacement reserves must be maintained at a rate of \$300 per unit per year for family housing developments or \$250 per unit per year for senior housing developments.

Operating reserves must be maintained at a minimum of three months of debt service and operating costs.

### Annual Operating Expenses

Annual operating expenses must be between \$3,600 and \$3,900 per unit per year or \$5,000 per unit per year for units with project based housing vouchers.

- If any utilities, including water and sewer, are owner-paid, then the operating expense minimum will be increased to include the additional utilities for the rental units.
- The applicant must provide an explanation and satisfactory documentation of the projected utility allowance per unit.
- The applicant must, upon request, provide a detailed explanation of the determination of annual operating costs.
- The applicant must justify operating costs and such costs may be accepted or rejected by the City in its sole judgment.

### Vacancy Rate

Annual vacancy rate shall be no less than 7% for all residential income and 10% on all retail and commercial income. Developments with project based vouchers may project a 5% vacancy rate for all residential income.



### **Annual Income Growth**

Annual income (rent) growth will be projected at a 2% increase per year.

### **Annual Operating Expense Growth**

Annual expense growth will be projected at a 3% increase per year.

## Market Analysis

A complete market analysis or study is required for projects that will receive CDD funding for acquisition, rehabilitation and new construction. A market analysis is an evaluation of the economic conditions of supply, demand and rental rates for the type of low-income housing development being proposed as well as the rent levels proposed for the project. The analysis must determine the feasibility of the subject property rental rates and state conclusions as to the impact of the property with respect to the determined housing needs. All data presented should reflect the most current information available and the report must provide source data. All steps leading to the calculated figures must be presented in the report. The City will accept previously prepared market analysis reports as prepared in conjunction and in compliance with applications for funding from DOLA and/or CHFA.

The applicant must use a professional market analyst experienced in multi-family rental housing. The market analyst must have no affiliation with the applicant, developer, lender and/or syndicator. The qualifications of the individual or company providing the analysis must be provided.

### Market Study

A Market Study is required for HOME projects with thirteen (13) or more units.

#### Market Study Process:

1. All market analyses **must adhere** to Market Study terminology as sanctioned by the National Council of Housing Market Analysts. An electronic copy of the market study must be submitted with the HOME application.
2. Submitted market studies must conform to the requirements in these Guideline Procedures. The market study should reflect conclusions based on the proposed development. This includes capture rates, absorption periods, market advantage, etc.
3. The Applicant's market analyst must indicate within the conclusion and recommendations section of the market study a conclusion regarding the ability of the market area to support the proposed development. This conclusion should further address the depth of the rental market and whether the proposed development will have a negative long-term impact on existing rental communities.

4. The City will review all market studies. Applicants will be notified by the City via email of any deficiencies found in the submitted market study. All issues must be resolved to the satisfaction of City staff in order for the study to be deemed acceptable.

5. The City will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The City is not bound by the conclusions or recommendations of the market study submitted by the Applicant and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

### **Market Study Requirements:**

#### **1. Project Description**

- a. Give the following information for the proposed subject as provided by the HOME Applicant:
  - i. Development Location;
  - ii. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
  - iii. Occupancy Type: Family, etc.;
  - iv. Target Income Group: 50% AMI, 60% AMI, Market Rate;
  - v. Special Needs Population (if applicable);
  - vi. Number of units by bedroom/bathroom;
  - vii. Number of buildings and stories and if there will be an elevator;
  - viii. Unit Size(s);
  - ix. Structure Type/Design: Townhouse, Garden Apartment, etc.;
  - x. Proposed Rents and Utility Allowances including energy source (gas, oil, electric) and if utility is Tenant or Owner's responsibility;
  - xi. Status of Project Based Rental Assistance: None, Existing, Proposed;
  - xii. Proposed Development Amenities;
  - xiii. Proposed Unit Amenities;
  - xiv. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

#### **2. Site Description**

- a. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments.
  - b. Describe physical features of the site, adjacent parcels, surrounding structures and
-

- neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns.
- c. Give the site's general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population.
  - d. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area.
  - e. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable.
  - f. Comment on access, ingress/egress, and visibility to site.
  - g. Describe overall positive and negative attributes about the site as they relate to marketability.

### 3. Market Area

- a. A map of the Primary Market Area (PMA);
- b. A physical description of the PMA including the methodology used to define it;
- c. Census tracts that encompass the PMA;
- d. Provide the most recent statistics on race available for the census tract in which the project is located; and
- e. The analyst may provide information about the secondary market area if desired; however, demand should be based solely on the PMA.

### 4. Market Area Economy

- a. A *map* of the site as compared to the locations of major employment concentrations.
- b. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%).
- c. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area.
- d. Total workforce figures and employment and unemployment trends for the county and, where possible, the PMA. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%).
- e. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA.
- f. Provide commuting patterns for workers such as how many workers in the PMA

commute from surrounding areas outside the PMA.

## 5. Community Demographic Data

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2010 to 2016 and projected to 2019. Historical 2000 Census data can also be included to provide further insight into the historical demographic trends. However, the 2000 Census data is not required. Projections must be prepared by a reputable source such as Nielsen, ESRI, or Ribbon Demographics. U.S. Census data prior to the 2010 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a brief narrative of overall conclusions.

### a. Population Trends

- i. Total Population
- ii. Population by age groups
- iii. Number of Elderly (for elderly projects)
- iv. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.

### b. Household Trends

- i. Total number of households, average household size, and group quarter.
- ii. Households by tenure (If appropriate, breakout by elderly and non-elderly).
- iii. Households by income. (Elderly proposals should reflect the income distribution of those households only).
- iv. Renter households by number of persons in the household.

## 6. Project-Specific Demand Analysis

- a. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the HOME program. Analysts must take the income restrictions designated in the application into account when estimating demand.
  - i. The maximum income for the proposed units will be based on 1.5-persons per bedroom (rounded up to the nearest whole person for those that end in 0.5). For elderly developments, the maximum incomes will be capped at the 2-person limits.

- b. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.

The demand analysis should clearly indicate the minimum and maximum income range for each targeted group. In cases where the proposed rents for projects with Project Based Rental Assistance are higher than the maximum allowable HOME rents, two separate demand analyses must be shown: One with the rental assistance (thereby allowing \$0 for the minimum income) and one without the rental assistance. For the second demand calculation without rental assistance, analysts should use HOME rents regardless of market conditions.

For projects with market rate units, the analyst must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumptions used in making the aforementioned determination.

- c. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
- i. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2016 and projecting forward to the anticipated placed- in-service date of 2019. The household projections must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
    1. In instances where a significant number (more than 20%) of proposed rental units are comprised of three bedroom units or larger, analysts must conduct the required capture rate analysis, followed by an additional refined large-household capture rate analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may not accurately illustrate the demographic support base.
  - ii. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:

- d. **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
- e. **Households living in substandard housing**. Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
  - i. The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent- overburdened and/or living in substandard housing.
- f. **Elderly Homeowners likely to convert to rental households**: The City recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly HOME housing. A narrative of the steps taken to arrive at this demand figure should be included.
- g. **Other**: Please note, the City does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.
- h. **Method**: Please note that the City's stabilized level of occupancy is 93%.
  - i. **Demand**: The overall demand components from the above factors represent demand for the project.
  - ii. **Supply**: Comparable/competitive units funded, under construction, or placed in service since the base year of demand (2016) must be subtracted to calculate net demand. Vacancies in projects placed in service which have not reached stabilized occupancy must also be considered as part of the supply.

- iii. **Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
- iv. **Absorption rates:** The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.

### 7. Supply Analysis (Comparable/Competitive Rental Developments)

The supply analysis will be given significant weight in the City's review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. The analysis must include all existing HOME projects and other projects that would compete with or be affected by the proposed project. Specifically, comparable/competitive developments refer to LIHTC projects with units at similar income targets, rent levels and targeted age cohorts. In addition to these comparable/competitive LIHTC projects, comparable/competitive developments may also include Rural Development properties both subsidized and unsubsidized, HUD properties, etc. The analyst must include and consider all developments under construction and/or in the pipeline in the analysis. The following information should be included for each comparable/competitive development:

- a. Name, Address, and Phone Number
- b. Contact Person's Name and phone number of the comparable/competitive property development
- c. Photograph
- d. Monthly Rents and utilities included in the rent, if any
- e. Type of development (HOME, RHS, tax credit, conventional, bond, bond and tax credits, etc.)
- f. Breakdown of unit sizes by bedroom/bathroom count
- g. Square footage for each comparable/competitive unit type
- h. Project age and Condition
- i. Population Served
- j. Description of unit amenities (include kitchen equipment) and site amenities
- k. Concessions given, if any
- l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using the most current information provided by property management.
- m. Waiting list information, if any
- n. Number of units receiving rental assistance, description of assistance as project or tenant based.

- o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
- p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

The above information should be provided in a comparative framework **including** the proposed project and those projects under construction and/or in the pipeline. For example, in addition to providing a page of information along with a picture for each comparable/competitive development, the analyst should also provide comparative charts that show such factors as the proposed project's rents, square footages, amenities, etc. as compared to the other projects.

- a. A **map** showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
- b. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
- c. Derive the market rent and compare them to the proposed development's rents. Quantify and discuss market advantage of the subject and impact on marketability. Market advantages should be provided for each unit type and the project overall.
- d. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all HOME projects in the market area. (Do not include new projects in the process of "renting up" in vacancy rate.)
- e. The cost and availability of homeownership and mobile home living, if applicable.
- f. Conclusion as to the impact that the proposed project will have on the occupancy of comparable rental communities in the PMA, specifically other HOME communities.

## 8. Interviews

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in this section. Include the name and phone number of the person you talked to.

## 9. Recommendations

Market Analysts must provide a recommendation that clearly states whether a proposed

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project should be approved as proposed. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion.

### **Market Demand Needs Assessment Report**

#### ***Alternative requirements for applications with twelve (12) or fewer units.***

Applications with twelve (12) or fewer units may provide a “Market Demand Needs Assessment Report”. Such a report must be completed by an independent third-party reviewer with adequate qualifications. Details of the minimum requirements for the Market Demand Needs Assessment Report are as follows:

#### **Project Description**

Give the following information for the proposed subject as provided by the HOME Applicant:

- a. Development Location
- b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse
- c. Occupancy Type: Family, etc.
- d. Target Income Group: 50% AMI, 60% AMI, Market Rate
- e. Special Needs Population (if applicable)
- f. Number of units by bedroom/bathroom
- g. Number of buildings and stories and if there will be an elevator
- h. Unit Size(s)
- i. Structure Type/Design: Townhouse, Garden Apartment, etc.
- j. Proposed Rents and Utility Allowances including energy source (gas, oil, electric) and if utility is Tenant or Owner’s responsibility
- k. Status of Project Based Rental Assistance: None, Existing, Proposed
- l. Proposed Development Amenities
- m. Proposed Unit Amenities
- n. For rehab proposals, please provide; current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.
- o. A map showing the proposed site(s)

#### **Market Area**

Census tracts that encompass the PMA a. Provide the most recent statistics on race available for the census tract in which the project is located.

#### **Community Demographic Data**

##### **1. Population Trends**

- a. Total Population
- b. Population by age groups
- c. Population Growth Projections

## 2. Household Trends

- a. Total number of households, average household size, and group quarter.
- b. Households by tenure (If appropriate, breakout by elderly and non-elderly).
- c. Households by income. (Elderly proposals should reflect the income distribution of those households only).
- d. Renter households by number of persons in the household.

### Project-Specific Demand Analysis

1. Income Restrictions: Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the HOME program. Take the income restrictions designated in the application into account when estimating demand. The maximum income for the proposed units will be based on 1.5-persons per bedroom (rounded up to the nearest whole person for those that end in 0.5). For elderly developments, the maximum incomes will be capped at the 2-person limits.
2. Affordability: Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.

### Demand Analysis

The demand analysis should clearly indicate the minimum and maximum income range for each targeted group. The demand should be derived from the following sources using data established from a reputable source:

1. Demand from New Renter Households: New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2016 and projecting forward to the anticipated placed-in-service date of 2019. The household projections must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately. 1) In instances where a significant number (more than 20%) of proposed rental units are comprised of three- and four- bedroom units, analysts must refine the analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may

overestimate demand.

2. Demand from Existing Households: The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:
  - a. Rent over-burdened (cost burdened) households, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
  - b. Households living in substandard rental housing. Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand. The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
  - c. Elderly homeowners likely to convert to renter households: The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly HOME housing. A narrative of the steps taken to arrive at this demand figure should be included.
  - d. Other: Please note, the City does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, they may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under- built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.

## Developer Capacity

The developer must have the organizational capacity to implement the project. Developer capacity will be evaluated on information demonstrating experience and skills as provided in the CDD funding application.

### Threshold Criteria

- Applicants and applicant's team members must have met all contract terms related to previous grants, loans or loan commitments.
- Applicants must affirm that there are no defaults or negative collection actions relating to any financial obligation, either to the City of Colorado Springs or to any other public agency or private lender.
- Applicant cannot be on any local, state or federal debarment list.
- An applicant, developer or contractor who is the subject of an open HUD finding must submit an explanation of the circumstances related to the finding and a timeline for resolution.
- The applicant cannot have any outstanding tax liens on any properties owned and operated by the applicant within the City of Colorado Springs, Colorado.

### Experience

Considerations include, but may not be limited to, the following skills of the developer and development team.

- Recent, similar, successful experience
- Similar project location, size and scope
- Years of experience developing affordable housing
- Managing affordable rental projects
- Using multiple funding sources
- Staffing
- Previous working history with CDD

## Development Skills

Considerations include, but may not be limited to, the following skills of a developer and the development team:

- Project management
- Market analysis
- Site selection and control
- Property management
- Planning and construction
- Design, architecture, engineering
- Legal and accounting
- Federal funding rules
- Other funding source rules

## Fiscal Soundness

The applicant will be asked to provide evidence of financial ability to implement the project. Applicants will be required to provide proof of commitments from other funding sources, current financial statements and proof of sufficient reserves or a line of credit available, if necessary, to complete the project. The City will assess the financial capacity of the Applicant or Applicant group based on their financial statements. Submitted financial statements must meet the following;

- a. Financial statements that have been compiled, reviewed or audited by an independent CPA licensed by the State of Colorado must be submitted along with the application. Copies of the applicant's most recent Management Letter must accompany the financial statements.
- b. Financial statements must include a balance sheet dated on or after September 30, 2016.
- c. An Applicant or Applicant group must have a minimum of unrestricted liquid assets of 10% of the sum of all HOME funds requested in all applications submitted in the current HOME cycle and a minimum net worth of \$1,000,000.
- d. The City defines liquid assets as cash, cash equivalents, and investments held in the name of the entities and/or persons, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock

- Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: 1) stock held in the applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves. All liquid assets must be identified in the submitted financial statement.
- e. If no individual member of an applicant group meets the minimum financial requirements, then members may combine assets to meet the requirements by including a combining schedule in addition to their individual statements.
  - f. The City reserves the right to verify information in the financial statements and all financial capacity statements made by applicants, lenders, accountants, and others. If false statements are found to have been made at any point in time, all entities and/or persons associated with the application will be debarred from all City programs for three (3) years.

## Site Selection and Neighborhood Compatibility

The determination of the site location is a very important part of the project preparation process and should not be overlooked. A well-chosen site location can significantly increase the success of the project. Issues to consider include orientation, storm-water management, access to transit, proximity to employment and proximity to community amenities (commercial, social services, education, parks, and healthcare facilities).

### Affordable Multi-Unit Family and Senior Housing Concentration Policy

Affordable housing opportunities should be available to residents throughout the City of Colorado Springs. The City strongly discourages the concentration of LMI populations within neighborhoods and promotes housing choice throughout the City.

Definition of LMI Concentration:

*Community of Low-income Concentration: is defined as a U.S. Census Tract, Block Group, or other locally defined subarea of a community with a high proportion of low income persons. A local determination may be made to select the most appropriate geographical definition of what constitutes a community. However, communities must be contiguous and relatively homogeneous areas with common identifiable characteristics and specific boundaries. They cannot be whole municipalities. Such communities would be considered as having a low-income concentration if the number of low-income persons (less than 80% of median income) make up a majority (51% or more) of the population of the community. Data to make this determination may come from U. S. Census information or other data that would be acceptable to HUD.*

### Proximity to Site Amenities

Developments should be located on sites within a 2-mile radius of social, recreational, commercial, educational, and health facilities and services. A map (or maps) identifying the development site and the location of supporting services is required. The service must be identified by name on the map. All services must exist or be under construction. See scoring criteria section below for more details about site amenities.

### Connectivity Requirements and Proximity to Transportation

A site should be located within  $\frac{1}{4}$  mile of a transit stop. A map showing the walkable route to the bus stops is required. The applicant must also identify if the route is accessible (curb ramps at the corners and no sidewalk trip hazards). If the route is not accessible, the City may be able

to assist with infrastructure improvements. For senior developments, if transportation is provided by the developer, the development is not required to be located within a ¼ mile of a transit stop.

### Proximity to Negative Site Features

Sites with the below mentioned negative characteristics may be ineligible if sufficient mitigation and/or abatement efforts are not included in the project design or such mitigation/abatement efforts are deemed not feasible. The distances are to be measured from all boundaries of the development site. Applicants must indicate on a map, the location of any negative site features. Negative site features include developments located:

- Adjacent to or within 300 feet of junkyards
- Adjacent to or within 3,000 feet of active railroad tracks
- Adjacent to or within 1,000 feet of an interstate highway including frontage and service roads
- Adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants
- Adjacent to or within 300 feet of a solid waste or sanitary landfill
- Adjacent to or within 100 feet of high voltage transmission power lines

Applicants with sites adjacent to one or more negative features are strongly encouraged to contact CDD early in the planning process for assistance with the potential environmental impacts of locating a site within these distances.

### Zoning

City Zoning and development plan requirements should be the first consideration when finding a suitable location. Contact the City Land Use Review offices to determine the correct zoning for multi-family, duplex, or single-family homes. Pre-application meeting request forms to set up a meeting to discuss a site are located on the City website under the Land Use Review Department (<http://www.springsgov.com/Page.aspx?NavID=2852> ). Questions on land uses can also be answered by calling 385-5905.

The following project aspects will assist CDD in determining relative preference in awarding funds. Applicants are strongly encouraged to consider these factors in identifying and/or designing projects that support the overall purpose of creating a more vibrant, livable community.

## Building Placement

There are many considerations to think about when placing a building on the site. The building location allows for spaces between buildings to become positive space. Consideration for shade and heat gain or loss should be a part of the site planning for sidewalks, open space, and drive lanes.

## Open Space

Public and private open space shall be provided onsite. Private open space can be in the form of patio spaces for each unit. Public open space should be useable and serve the entire complex. A minimum of 200 square feet per bedroom shall be provided. The open space can include play areas for kids, an area without steep grades for outdoor activities (Frisbee, walking dogs, etc.), barbeque spaces, benches, pools, workout rooms, plazas, courtyards, etc. Proximity to a neighborhood park can be used in conjunction with the open space on-site if the park is less than  $\frac{1}{4}$  mile away and is a minimum of  $\frac{3}{4}$  of an acre. Consideration for summer shade, winter sun, and protection from wind should be taken into account when placing outdoor space.

## Sidewalks & Bike Facilities

Pedestrian and bicycle connections on-site and off-site should be a part of the development of the property. Sidewalk circulation should ensure access to all parts of the site as well as nearby trails, transit stops, schools, shopping centers and parks. Bicycle parking shall be provided that is conveniently accessed by each building.

## Parking

Adequate parking to meet City Code requirements must be included on site. Ensure consideration for household number and the potential number of cars needed, as well as guest parking is considered, in addition to meeting City Code requirements. Accessible parking spaces should be strategically placed to ensure they are able to be used effectively.

## Landscaping

Landscaping requirements within City Code must be met on site. Placement of landscaping should be strategic to ensure the landscaping is benefiting open spaces, protecting from heat gain or loss, and lowering parking lot heat island effect. Minimize the use of turf and only use turf in active locations. Irrigation systems shall be provided to ensure the landscape thrives in the dry climate.

## Lighting

Lighting onsite shall include full cut-off fixtures and be mounted 20' or less off the ground. Lighting should be strategically placed to encourage safety, and not to ensure the entire site is lighted.

## Development Requirements

### Minimum Units

The minimum number of HOME units for a multi-family development is 5 units.

The minimum number of single family units (single parcel, contiguous parcels or scattered sites) shall be four units.

### Code Compliance

All acquired property must conform, at minimum, to prevailing building standards and zoning code of the City of Colorado Springs. For projects which incorporate rehabilitation or new construction, the completed project must conform to these standards prior to final disbursement of awarded funds.

### Capital Needs Assessment

For the acquisition of existing multi-family structures (not slated for demolition) and rehabilitation projects, a Capital Needs Assessment (CNA) per the Uniform Physical Condition Standards (UPCS) must be completed. The CNA must identify the useful life of major systems to include: structural support, roofing, cladding, weatherproofing (windows, doors, siding, gutters), plumbing, electrical, heating, ventilation and air conditioning. If the remaining useful life is less than the compliance period, a replacement reserve as well as a replacement schedule is required to ensure the items can be adequately maintained and addressed throughout the compliance period. The CNA must be conducted by a qualified third party that is independent of the developer.

### Sustainability and Energy Efficiency

Designing and locating affordable housing with sustainable design and green building in mind will ensure efficient land use, reduce energy costs and add to the appeal of the property. It is important to the City that housing positively contributes to the environmental health of our residents and neighborhoods by decreasing energy and water usage, reducing operating and maintenance costs and improving the efficiency and longevity of the building system. Construction projects of new and existing buildings must be designed and constructed to be energy and water efficient, reducing tenant costs while improving the structure's sustainability.

- Appliances, mechanical systems, windows, doors, insulation must meet Energy Star standards.
- Toilets, faucets, shower heads the must meet the Water Sense low volume standards.
- Rebates may be available from Colorado Springs Utilities. Visit [www.csu.org](http://www.csu.org).

### Accessible and Adaptable Units

Assistance may not be provided for the acquisition of multi-family units that will not allow a portion of the units to be made accessible to persons with disabilities. Projects incorporating 5 or more units must contribute to increasing the number of accessible and/or adaptable units through the following *minimum* requirements:

#### Acquisition of Existing Units (no demolition) and Rehabilitation Projects

- At least one (1) or 10%, whichever is greater, of all units rehabilitated must be made accessible for persons with mobility disabilities.
- Additionally, at least (1) unit or 2%, whichever is greater, of all units rehabilitated must be made adaptable for persons with hearing and/or visual disabilities.

#### New Construction

- At least one (1) or 10%, whichever is greater, of all new units must be made accessible for persons with mobility disabilities.
- Additionally, at least (1) unit or 2% of all new units must be made accessible to accommodate the needs of persons with hearing and/or visual disabilities.

#### Distribution of Accessible Units

To the greatest extent possible, accessible dwelling units should be distributed throughout the project and should be available in a sufficient range of sizes and amenities.

- The choice of an individual with a disability should be comparable to that of other prospective tenants.
- Accessible dwelling units should not be concentrated in one area of the property.
- An elevator does not have to be installed for the sole purpose of allowing accessible units to be located above the ground floor.

### **Occupancy of Accessible Dwelling Units Policy**

Owners/managers of projects that have accessible units should ensure that information regarding the accessible units reaches individuals with disabilities. Additionally, owners/managers should take non-discriminatory steps to maximize the utilization of accessible units by qualified individuals with disabilities. This can be done by maintaining a waiting list for accessible units and offering vacant accessible units to applicants in the following order:

1. To a current occupant of another unit in the same property or other comparable property within the owner/manager's control, who has a disability requiring the accessibility of the vacant unit and who currently occupies a unit that does not have the accessibility features.
2. To a qualified applicant on the waiting list who has a disability requiring the accessibility features of the vacant unit.
3. To a qualified applicant who does not have a disability requiring the accessibility features of the unit; however, the owner/manager may incorporate language in the lease that the applicant will agree to move to a non-accessible unit when one becomes available.

### **Development in the Floodplain**

Affordable housing development will not be allowed within any local or federally-designated 100-year floodplain. Development within the 500 year floodplain may be permitted. Applicants with a site located in the 500 year floodplain are strongly encouraged to contact CDD early in the planning process for assistance with the potential environmental impacts of the site location and required procedures for approval.

## Federal and Other Regulations

Applicants must comply with all state and federal regulations related to the construction, rehabilitation or provision of housing. These regulations include, but are not limited to:

- Home Investment Partnerships Program – HOME
- Title III of the Americans with Disabilities Act (ADA) of 1990
- Section 504 of the Rehabilitation Act of 1973
- Architectural Barriers Act of 1968 – ABA
- Fair Housing Act
- Davis-Bacon and Related Acts
- Copeland Anti-Kickback Act of 1934
- Conflict of Interest Requirements
- Identity of Interest Transactions
- The National Environmental Policy Act (NEPA) \*
- The Lead-Based Paint Poisoning Prevention Act and Lead Safe Housing Rule
- Uniform Administrative Requirements (UAR) 2 CFR 200
- Section 3 - Economic Opportunities for Low and Very Low Income Persons
- Uniform Relocation Assistance and Real Property Acquisition Policies Act – URA\*\*

\*Compliance with the National Environmental Policy Act requires the limitation of certain activities from the time of initial contact with CDD to the completion of the environmental review process. Specifically, no activity shall be undertaken prior to completion of the environmental review that would have an adverse environmental impact or limit the choice of reasonable alternatives. Choice limiting activities include real property acquisition, repair, rehabilitation, construction, demolition, and site clearance.

\*\*Compliance with the URA begins at the time of initial contact with CDD. All projects involving acquisition, rehabilitation, or demolition are subject to the URA and Section 104(d). In order to avoid ineligibility for funding, applicants are encouraged to schedule a pre-application conference with CDD staff to discuss the project and the compliance requirements that may apply.

## Application Review Process

The project underwriting procedure follows these steps:

- Pre-Application/Preliminary Environmental Review
- Full Application Submission
- Evaluation
- Notification
- Environmental Review
- Written Agreement/Commitment
- Disbursement
- Reporting
- Monitoring and Inspections

### Application process

#### Pre-Application Meeting

A pre-application conference is required prior to submitting an application to the City of Colorado Springs to ensure compliance with all federal, state and local regulations and identify potential environmental issues. Applicants are encouraged to review these guidelines and meet with staff as early as possible in project planning. While such consultations do not commit CDD to fund a particular proposal, they provide valuable insight into the prospective benefits, funding availability and issues associated with a potential development.

#### Application Submission and Requirements

CDD administers the Program and accepts applications throughout the program year (April 1 – March 31). CDD establishes priorities for affordable rental housing annually in the Action Plan.

Applications must be submitted according to the instructions. Applications that do not follow the submission requirements will not be considered. Applicants will be given a single, time-limited opportunity to rectify any deficiencies in a submitted application.

The most current application forms may be accessed through the CDD website. Please refer to the application checklist to ensure that a proposal is complete and please follow the submission requirements. Note that any commitments entered into by the applicant prior to an award of funds do not constitute a rationale for an award. Applicants are therefore advised to ensure any and all agreements dependent on an award of city funding contain adequate escape

mechanisms to minimize adverse consequences in the event funding is not available or the proposal is not awarded funds.

Please check the CDD website (<http://www.springsgov.com/Page.aspx?NavID=3225>) for the most current funds availability and other valuable information.

CDD will accept applications submitted to DOLA and/or CHFA with the following provisions:

- 1) The applicant provides a complete copy of the application package including all attachments and supporting documentations.
- 2) The materials provided meet the minimum requirements for an application for HOME funds as described in this manual and the City's application checklist.

## Evaluation

Funding rounds are very competitive as total requested funds typically exceed the amount available during a given year. Upon submission, CDD staff will review all applications for completeness and eligibility, rejecting all deficient applications without further analysis.

1. **Initial review.** CDD staff ensures that the application is complete and the basic mandatory evaluation criteria are met. The mandatory criteria are designed to meet local, state and federal compliance requirements and CDD objectives. Applications must meet a minimum score in order to be considered further. However, submission of an application that meets or exceeds the minimum score is not a guarantee that the proposed project will be funded. Incomplete applications will be returned to applicants identifying the deficiencies. The application will not be eligible for further consideration until a complete application is submitted. In addition to the funding process, projects seeking Planning Department approvals are subject to the provisions of the land use review process.
2. **Staff analysis.** CDD staff reviews the applications that meet mandatory evaluation criteria, asks clarifying questions of the applicants and prepares a staff analysis. Staff may request additional detail from the applicant, conduct a tour of the subject site or property, obtain additional information from outside sources, and consult with other departments within the City. Applicants may be scheduled to make a formal presentation of the project proposal as circumstances dictate. Staff will make a recommendation of full, partial or no funding for each application.
3. **Final Decision:** Applications are approved or denied by the Project Review Team (Team), a panel of City staff knowledgeable in the development process. Following

presentations and tours, if any, the Team evaluates all proposals to determine the extent to which each fulfills community objectives. The Team uses the Affordable Housing Program scoring criteria developed for the program, will review the staff recommendation, and will discuss programmatic, regulatory and administrative aspects of a proposed project. *Final approval is subject to environmental clearance.*

In the event that insufficient funds are available to meet the requirements of all qualifying applications, the highest scoring applications that are ready to proceed will be funded first.

## Rental Project Application Scoring Criteria

### Experience

Points are awarded based on the Applicant's experience and success in developing HOME rental projects or for first time Applicants who can demonstrate their experience in developing rental housing projects similar to the one(s) proposed.

Previous development experience of HOME Rental properties:

- Owners (which include individual(s), corporation(s), nonprofit(s), for-profit(s), Public Housing Authorities or units of local government) will receive points for the previous development of successful HOME Rental projects. Experience gained as an owner of another firm may be included but not as an employee of another firm. Experience in HOME Rental projects means coordinating the development team from the planning, financing and construction of a project through receipt of Certificates of Occupancy. Applicant must have a current ownership interest in the project. One point per successfully completed HOME Rental project (5 project maximum). **Up to 5 Points**
- No previous development experience of HOME Rental properties: A first time Applicant may demonstrate the ability to implement affordable housing projects by providing documentation as to the development of similar rental projects in other federal grant programs or other public funds. A list of completed projects must be provided along with contact names and phone numbers. One point per successfully completed project (3 project maximum). **Up to 3 Points**
- Points will be given to City approved CHDOs. **5 Points**

### Performance Issues – City Programs

Negative points will be assessed based on the Applicant's previous performance on City funded projects as follows:

- Applicant was suspended or debarred for any length of time. - **4 Points**
- Applicant has not completed a previously City funded project. - **2 Points per project**

## Site and Neighborhood Characteristics

Points will be awarded as listed below for services located within one (1) or two (2) miles of the proposed site as indicated by public paved road, existing at the time the application is submitted, and accessible to the public for motor vehicular use.

Distances should be measured using a computer based mapping system such as Google Maps or other similar distance calculating systems. All directions must be printed from the mapping system and included in the application for points to be awarded. Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points. Distances are subject to City verification and are GPS measured and odometer\* confirmed by third party site analyst from center of entrance into site to center of entrance into service location.

Color photographs of all services must be included with the application. Duplicate copies of the application must also contain color photographs. The name of the service must be visible in the photograph. Applicants may include a maximum of one (1) positive site service of each service type for scoring purposes.

All positive site services must be open to the general public and operational at the time the City's site visit is made or points will not be awarded.

The following services located within ONE (1) MILE of the development site will earn **four (4) points**:

- Full Service Grocery Store The store must operate with regular business hours selling offering a full range and variety of foods, cleaning products and paper products. To qualify as offering a full range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis; 1) meats, poultry and fish, 2) breads and cereals, 3) vegetables and fruits, and 4) dairy products. 4 Points
- The following services located within TWO (2) MILES of the development site will earn **three (3) points each**:
- Full Service Grocery Store The store must operate with regular business hours selling offering a full range and variety of foods, cleaning products and paper products. To qualify as offering a full range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis; 1) meats, poultry and fish, 2) breads and cereals, 3) vegetables and

- fruits, and 4) dairy products. Note: points are not eligible if points were taken for stores within one (1) mile.
- Pharmacy or Drug Store (must operate with regular business hours).
  - Convenience Store and Gas Station (walk up “window only service” stores and free standing kiosks will not receive points.)
  - Public park or playground (owned and maintained by the City or El Paso County) and containing, at a minimum, playground with commercial playground equipment and/or walking/biking trails (paved or gravel) or Recreation Center/ Senior Center or Library.

### **(Up to 12 Points)**

The following services located within one quarter (1/4) MILE of the development site will earn **four (4) points**:

- Transit Oriented Development: sites within ¼ mile of an existing and operational Mountain Metro Transit Stop will receive 4 points.

### **Project Readiness**

- Applicant will be awarded points for demonstrating site control by providing a copy of the recorded deed in the Applicant's name. **4 Points.**
- A letter from the City/County official or utility provider, documenting water and sewer utility tie-ins are accessible and within:
  - 350 feet of the proposed site; **2 Points OR**
  - 351 to 500 feet of the proposed site. **1 Point**
- The proposed project is located within a current City identified master plan or revitalization plan or empowerment zone. **2 Points**

### **Targeting**

- Applicant will be awarded points for designating, at a minimum, ten percent (10%) of the total units for elderly, disabled and/or extremely low-income tenants. A letter from the appropriate disability agency regarding the need for these units must be submitted with the application. **2 Points**

## Relocation

**The federal requirements for relocation of households or businesses are extensive and extremely complex. CDD discourages permanent relocation of households or businesses. Proposed projects that include permanent relocation may lose points unless the applicant can provide a comprehensive plan for compliance with all aspects of the URA.**

## Financial Structure

Applicant proposes a project not entirely funded with City HOME funds. The financial structure must consist of additional sources of funds leveraged from non-City administered programs. The result is as follows:

- 5% up to 10% of Total Sources comprised of non-City funds **1 Point**
- 11% up to 20% of Total Sources comprised of non-City funds **2 Points**
- 21% and up of Total Sources comprised of non-City funds **3 Points**

**NOTE:** The appraised value of donated land will count toward the non-City funding source percentage. The appraised value of donated land should be included as a funding source with an equal use on the cost schedule.

- Applicants requesting 100% HOME funds as an amortizing loan to be paid to the City monthly over a thirty (30) year period or less. **3 Points**
- Applicants requesting at least 50% of total requested HOME funds as an amortizing loan to be paid to the City monthly over a (30) year period or less. **1 Point**

## Award Notification & Post Award Instructions

CDD will notify the applicant in writing of a decision to approve or disapprove any application within 60 days of the submittal of a complete application. Unless provided in writing by CDD, no person or organization shall construe any discussions or written information provided by CDD staff to constitute an acceptable application or an obligation or commitment for funding. Applicants will be notified of the Team's decision within 5 calendar days following the decision date.

### Environmental Review

All projects must undergo environmental review. The National Environmental Policy Act requires the limitation of certain activities from the time of initial contact with CDD to the completion of the environmental review process. Specifically, no activity shall be undertaken prior to completion of the environmental review that would have an adverse environmental impact or limit the choice of reasonable alternatives. Choice limiting activities include real property acquisition, repair, rehabilitation, construction, demolition, and site clearance.

Environmental review can begin with the submission of the development plan. It generally will not begin sooner. The review can take 90-120 days to complete. CDD reserves the right to require, at applicant's expense, a Phase I Environmental Site Assessment for new developments on vacant land and rental projects involving five (5) or more units. Please see Environmental Review in the HOME Policy and Procedures section of the City's HOME Program Manual, as well as HUD's Multi-Family Accelerated Processing Guide (MAP) for additional requirements.

### Written Agreement/Commitment

#### Documents

Once applicants have been notified of funding approval, CDD will complete the environmental review and provide notice of any required mitigation measures as a condition of the funding commitment. Applicants will be provided a copy of the draft agreement documents for review and comment.

A City funding agreement includes the following documents:

- Funding Agreement
- Promissory Note (if applicable)
- Deed of Trust (if applicable)
- Land Use Restriction Agreement (LURA)

Developers that are required to comply with the Davis Bacon prevailing wage regulations as a condition of the commitment, must schedule a pre-construction conference to ensure the development team and contractor understand the prevailing wage monitoring and include the appropriate provisions in the construction contracts.

### **Loan Closing**

In preparation for loan closing, CDD staff will perform the following:

1. Verification of closing conditions: review the Funding Agreement, Promissory Note, Deed of Trust, and LURA to ensure that the borrower has complied with all pre-conditions of funding and provided necessary documentation.
2. Circulate for signatures: CDD will provide all documents required for the commitment of funds to the project, collect signatures from the borrower, and forward the documents to the appropriate City Official for final signatures.
3. Funding: prior to execution of the Funding Agreement, the applicant must provide CDD with the following:
  - Certified copies of executed loan documents from all funding sources
  - Proof of current property tax payments
  - Proof of insurance meeting City insurance requirements
  - Title insurance meeting Department standards

### **Disbursement**

Prior to the draw of any funds, city-required legal documents must be executed and the awardee must demonstrate that all funding conditions have been satisfied. Disbursements can be made against an invoice for documented eligible costs. Disbursements need not be made in a prorated fashion from each invoice; disbursements must be made against an approved budget. Any eligible cost can be paid (i.e. property acquisition). Prior to funding disbursement, the applicant must provide CDD with the following:

- Proof of compliance with prevailing wage requirements (Davis Bacon), if applicable
- Proof of environmental mitigation and/or abatement, if applicable

Prior to release of the final draw, the applicant/developer must provide CDD with the following:

- Certificate of Occupancy
- Fair Housing Compliant Marketing Materials
- Lease-up policies and procedures

- Release of liens from all contractors and subcontractors
- Any additional documents that may be required by CDD

## Reporting

CDD assisted projects require long-term commitments by the owner/developer. Reporting to demonstrate compliance with the terms of the loan agreement will include:

- Periodic reports to CDD regarding project financials, project cash flow and borrower's compliance with applicable requirements of the funding source.
- The assisted units are being property managed/operated.
- The assisted units are being affirmatively marketed per Fair Housing Act requirements.

Should the borrower fail to produce the required documentation in a timely manner or as prescribed by the loan agreement, CDD may consider this a default of the loan agreement.

## Long Term Affordability Requirements

Income and rent restrictions are required for all CDD-assisted units for a period of time known as the “affordability period.” The affordability period is enforced using a legally binding restrictive covenant that assures that a specified number of units meet certain affordability restrictions for the specified period of affordability. This requirement may be satisfied in the event the project is subject to a Land Use Restriction Agreement (“LURA”) recorded with the El Paso County Office of the Clerk and Recorder that has been prepared by or deemed acceptable to CDD. The affordability period begins upon issuance of a Certificate of Project Completion by the City. The affordability period will remain in effect per the agreement, term of the loan or compliance period, whichever is greater.

HOME Required Affordability Periods		
Activity	Average Per Unit	Minimum Compliance Period
<b>Rehabilitation or Acquisition of Existing Housing</b>	< \$15,000	5 Years
	\$15,000 - \$40,000	10 Years
	> \$40,000	15 years
<b>Refinance of Rehabilitation Project</b>	Any Dollar Amount	15 years
<b>New Construction or Acquisition of New Housing</b>	Any Dollar amount	20 years

### Recapture Provision for HOME funds

The City utilizes the recapture provision for rental properties that are acquired or rehabilitated with HOME funds. If at any time prior to the termination of the affordability period the units no longer meet the HOME affordability requirements, the developer is required to repay the HOME funds in full to the City.

### Income Determination Method

An applicant must determine income eligibility of each household using 24 CFR Part 5, commonly referred to as the “Section 8” method or “Part 5” method. The most current HUD Area Median Income Limits for the Colorado Springs, Colorado, MSA, a Part 5 Income Worksheet, and HUD’s *Technical Guide to Determining Income for the HOME Program* are

available on the CDD webpage. Please contact CDD for questions concerning income calculations.

### Income Recertification Schedule

The applicant must adopt a schedule for annual recertification of income and a copy must be provided to CDD. Income can be recertified on the anniversary of the original income evaluation, at lease renewal or on an annual schedule whereby all tenants are recertified during the same month. Recertification of income eligibility must be conducted by collecting source documentation annually.

### Occupancy Restrictions

Income limits for housing projects are calculated according to the actual number of household members as residents are identified. To impute the income level served, applicants may estimate household size based upon the number of bedrooms within a dwelling unit according to the following chart.

Unit Type	Studio	1-bedroom	2-bedroom	3-bedroom	4-bedroom
Income Threshold	1 Person	1.5 Person (1-Person + 2-Person) / 2	3 Person	3.5 Person (3-Person + 4-Person) / 2	6 Person

- Rent restrictions are strictly enforced during the compliance period
- All new tenants must meet the income limits established by CDD
- Serving lower percentages of AMI will be evaluated and required on a case by case basis but needs to ensure the project will cash flow. . If a tenant pays utilities, the maximum allowable rents must be reduced by the amount of the applicable utility allowance as established by HUD at: <http://huduser.org/portal/resources/utimodel.html>

### Rent Restrictions: Maximum HOME Rent Limits

- The maximum rent charged must be at or below Low HOME rent for tenants at or below 50% AMI or the rent does not exceed 30 percent of the family's adjusted income if the family receives Federal or State project-based subsidy. If the family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e. tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.
- The maximum rent charged must be at or below High HOME rent for tenants between 51% AMI and 80% AMI.

### Temporary Exceptions to Rent Limitations

The following are exceptions to the rent restrictions stated above:

- If the project is occupied at the time CDD assistance is awarded to the project, existing tenants who earn more than the income limits stated above must pay no more than 30% of their adjusted income in rent and utilities.
- If a tenant is residing in a designated CDD assisted unit and the tenant's income increases to more than the unit's income restriction during the term of the lease, the tenant must pay no more than 30% of their adjusted gross income in rent and utilities. The rent must be adjusted at the annual recertification.
- Only when the tenant chooses to leave or not renew the lease, the unit must then be rented to a new tenant who meets the income limits. Vacancies should be filled with income qualifying tenants to bring the project back into compliance with the affordability requirements. City policy is that tenants should not be displaced if their income increases to a level higher than the eligible household income during the lease term.

## Monitoring & Inspections

During the period of open project activities, quarterly progress reports must be submitted by the awardee. Progress reports must provide sufficient detail for CDD to determine the awardee is in compliance with all terms and conditions of the award. Awardees must provide prompt, accurate and complete documentation to substantiate any deviations from application materials submitted to CDD. Any material changes to the financial, operational (including ownership interest) or physical structure of the property must be reported immediately to CDD.

After a project has been completed and all funds have been drawn, the awardee will submit annual reports in compliance with the funding agreement or loan covenant. Delinquent reporting will result in the suspension of further disbursement of awarded funds.

Periodic site reviews will be conducted by appointment to confirm the extent of work to be completed, monitor progress and to ensure work has been completed in accordance with project plans, City building code, the construction contract and all plans and specifications provided within the program application.

During the review process an analysis of randomly selected client files will confirm compliance with resident eligibility and documentation standards. A written summary will be sent to the awardee within thirty days of the site review. A determination of noncompliance will be communicated to the awardee in writing with the required corrective actions and the cure period. Non-compliance will result in the suspension of further disbursement of awarded funds and ineligibility for future funding.

Projects will be inspected regularly based on HOME program requirements and the City's policies and procedures for HOME funded projects. At a minimum, projects will be inspected (onsite) as follows:

<b>Frequency of On Site Property Inspections During the Affordability Period</b>	
Number of Units	Inspection Required
1-4 units	Every 3 years
5-25 units	Every 2 years
26 or more units	Annually.